

**Written Testimony of Ron Sims
Deputy Secretary of the U.S. Department of Housing and
Urban Development**



**Hearing before the House Appropriations Subcommittee on
Transportation, Housing and Urban Development, and
Related Agencies**

**"HUD Sustainable Homes and Communities Initiative"
Wednesday, March 10, 2010**

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Chairman Olver, Ranking Member Latham and distinguished members of the Subcommittee, thank you for this opportunity to provide an update on HUD's expanding efforts to help urban and rural areas across the country create more sustainable homes and communities. Thanks to this Subcommittee's support, first through the American Recovery and Reinvestment Act, then through the appropriation for our current fiscal year, we have been able to make substantial progress on an ambitious agenda in our first year. We are pleased to share with you today our early results and plans for the future.

Our testimony has three main sections. The first highlights the results to date of HUD's Recovery Act investments in sustainable housing and communities, which laid the foundation for much of our continuing commitment. The second summarizes the groundbreaking sustainability partnerships HUD has formed with other federal agencies, which are building the framework for unprecedented collaboration and impact on the ground. The third describes the major activities HUD has underway, led by a new Office of Sustainable Housing and Communities, which will focus our efforts to ensure this agenda remains an enduring priority for the Department. First, however, I wanted to provide context for HUD's commitment in this area.

The Need for Federal Leadership to Advance Sustainable Homes and Communities

While the consequences of climate change are complex and far reaching, we know that the increasing emissions of greenhouse gases, the primary cause of global warming, are largely a result of energy use in our "built environment."

As a federal cabinet agency focused on the built environment, on strengthening communities, and on expanding opportunity for all Americans, HUD recognizes the urgent need for aggressive action to combat climate change. The positive news, and the powerful opportunity, is that we can

cut GHG emissions, while creating jobs and expanding opportunity for all Americans through proven strategies for creating more sustainable homes and communities.

Residential housing and the built environment more broadly are major contributors to energy consumption and global warming. Residential buildings alone account for 20 percent of U.S. carbon emissions, with the vast majority coming from detached single-family houses. The transportation sector accounts for about another third of carbon emissions, among many factors because sprawling development patterns separate jobs and houses that, without adequate transit systems, necessitate long commutes and increased dependence on car travel.

The social equity implications of current growth patterns have also become more apparent. As metropolitan areas continue to sprawl outward and jobs become increasingly dispersed, fewer low-wage earners and renters are able to find housing near their work. Nationally, 45 percent of all renters and two-thirds of poor renters live in central cities. Low-income families, many of them minorities, live in neighborhoods that limit access to quality jobs, good schools and opportunities to create wealth and lead healthy lives. The unbalanced nature of metropolitan housing development has strained urban, suburban and rural household budgets, as commutes lengthen: the combination of housing and transportation costs now average a combined 60 percent of income for working families in metropolitan areas.

With few exceptions, the federal government has not been up to the task of addressing these critical trends. Federal programs dealing with housing, transportation and energy issues remain largely divorced from each other, precluding smart, integrated problem solving. Federal policies and rules are narrowly defined, poorly coordinated and often work at cross purposes. The silo driven nature of federal policies and programs extends to planning, data collection, performance measurement and research and evaluation. To address these and other issues, the administration has launched the first comprehensive review of “place based” federal policies in a generation, with sustainability as a central focus.

Place of course is already at the center of every decision HUD makes. HUD's programs today reach nearly every neighborhood in America; 58,000 out of the approximately 66,000 census tracts in the U.S. have one or more unit of HUD assisted housing. Now we have seized this opportunity to renew our focus on place, to better nurture sustainable, inclusive neighborhoods and communities across America's urban, suburban, and rural landscape.

A major component of HUD's refined place-based approach involves making communities sustainable for the long-term. For HUD “sustainability” includes improving building level energy efficiency, cutting greenhouse gas emissions through transit-oriented development, and taking advantage of other locational efficiencies. Critically, we believe sustainability also means creating "geographies of opportunity," places that effectively connect people to jobs, quality public schools, and other amenities. Today, too many families are stuck in neighborhoods of concentrated poverty and segregation, where one's zip code predicts poor educational, employment, and even health outcomes. These neighborhoods are not sustainable in their present state. HUD’s commitment to sustainable housing and communities aims to take the challenges head on.

Laying the Foundation: Recovery Act Investments in Sustainable Homes and Communities

As Secretary Donovan testified before you last month, HUD has played a key role in implementing the Recovery Act, which, according to the nonpartisan Congressional Budget Office is already responsible for putting as many as 2.4 million Americans back to work and has put the nation on track toward a full economic recovery. I would like to echo the Secretary’s thanks for making our role in that effort possible.

HUD has now obligated 98 percent of the \$13.6 billion in Recovery Act funds stewarded by the Department - and disbursed \$2.9 billion dollars. As the Secretary noted before you last month, a portion of HUD's Recovery Act funding is fully paid out, or expended, only once construction or other work is complete-just as when individual homeowners pay after they have work done on their homes. Therefore, some of HUD's obligated, but not yet expended, funds are already generating jobs in the hard hit sectors of housing renovation and construction.

While our top priority with Recovery Act funds is creating jobs and economic activity, we are also seizing the opportunity to lay a foundation for HUD’s new direction in our Recovery Act investments. Nearly one-third of HUD’s Recovery Act funds can be used for “greening” America’s public and assisted housing stock – making homes healthier and more energy efficient at the same time they prepare the new generation of professionals – from mechanics and plumbers, to architects, energy auditors, and factory workers building solar panels and wind turbines – we need to design, install, and maintain the first wave of green technologies.

These investments include:

- \$600 million for energy retrofits of 226 public housing developments and 35 more green newly constructed and substantially rehabilitated public housing developments.
- \$500 million for housing on Native American lands, which HUD is encouraging and supporting Tribal housing groups to provide in an environmentally sustainable manner.
- \$250 million for green retrofits of 16,600 units of privately owned HUD-assisted housing. (HUD received applications for more than \$700 million.)
- \$100 million to eradicate lead paint and create healthy homes.

Importantly, energy efficiency and other environmental criteria – and results – are also present in larger HUD programs funded by the Recovery Act, such as \$3 billion in formula funding for public housing and \$2 billion through the Neighborhood Stabilization Program.

The Recovery Act investments we are making to help families and individuals in affordable housing save energy and live in healthier homes and communities are teaching us what works and how we can be a more effective partner to builders, owners and residents who want the opportunity to live in greener communities. These lessons and feedback from our partners are informing and improving our continuing efforts to increase environmental benefits, lower costs for doing so, and measure and verify the benefits in affordable housing.

Building the Framework: HUD's Sustainability Partnerships with Other Agencies

Creating more sustainable housing and communities at scale – making sustainability the “default option” for our partners and the people we serve – requires an interdisciplinary approach and intense collaboration across the traditional silos of federal policy. While HUD can bring and is bringing enormous leadership, we know we need partners with assets and expertise that we lack. That is why we are so pleased to be working closely with a number of federal agencies to leverage the skills, resources and partnerships that each can bring to truly transforming our built environment.

As you know, HUD, the Department of Transportation (DOT) and the Environmental Protection Agency (EPA) have formed the Interagency Partnership for Sustainable Communities to help improve access to affordable housing, expand transportation options and lower transportation

costs while protecting the environment in communities nationwide. Through a set of guiding Livability Principles and a partnership agreement that frames our collective efforts, the partnership is coordinating federal housing, transportation, and other infrastructure investments to an unprecedented extent to protect the environment, promote equitable development, and help to address the challenges of climate change. (The Livability Principles are attached as Appendix A.)

Having served in government for many years, I can say that the level of collaboration and cooperation among our agencies, starting at the top with Secretary Donovan, Secretary LaHood and Administrator Jackson, and extending to the staff in each agency, has been nothing short of remarkable. We are getting better every day at aligning where it makes most sense and assigning specific responsibilities to the appropriate agency based on their resources and expertise. One example was DOT's inclusion of HUD and EPA in the review of competitive applications for DOT's \$1.5 billion TIGER Grant program funded under the Recovery Act. We would by no means suggest that we have perfected the collaborative approach. Decades of statutes, regulations and habits in some cases create real challenges to the partnership results all three of our agencies aspire to achieve. The good news is we are making consistent progress, moving forward despite the barriers, and always welcome ideas and assistance from interested parties, including this Subcommittee.

Another exciting example is the partnership between HUD and the Department of Energy that is working to increase energy efficiency in affordable homes and apartments. One joint project is to develop a streamlined, low-cost, consumer friendly tool to provide homeowners with better information about their home's energy use, options for saving energy, and the cost savings that would result. We are also exploring options for providing financing for consumers to pay for the cost of energy saving home improvements, described more below.

HUD's partnership with DOE is delivering results in multifamily low-income housing as well. Our agencies have worked together to eliminate duplicative and unnecessary rules that impeded the use of federal Weatherization Assistance Program funds to retrofit multifamily properties. Thousands of low-income families are now in better position to benefit from the \$5 billion in Weatherization funds provided under the Recovery Act as a result.

In addition, I am pleased to represent HUD on the Steering Committee for the White House Council on Environmental Quality, the Office of Science and Technology Policy, and the National Oceanic and Atmospheric Administration interagency process to produce a set of recommendations for Federal actions that will help society adapt to climate change. This group is developing recommendations on how federal agencies can effectively create and implement climate change adaptation policies and strategies.

Other similar partnerships are in formation or early development. We are especially optimistic about potential collaboration with the Department of Agriculture to ensure we are as effective in helping deliver sustainability solutions in rural areas and small towns as we are in larger and more urban communities.

Ensuring HUD's Long Term Leadership on Sustainable Homes and Communities

Thanks to this Subcommittee's support, we have created a new office that will ensure the foundation laid by our Recovery Act investments and the framework we are building in partnership with other agencies is buttressed and built upon by institutionalized capacity within HUD. The Office of Sustainable Housing and Communities, under my direct supervision, will help provide and expand that capacity among HUD staff and stakeholders.

Shelley Poticha, nationally recognized for her leadership to create more location efficient communities, is in place as Director of the office and we have begun to assemble a talented team that brings the technical skill sets and deep commitment our sustainability initiatives demand. Just as important, we are creating teams of staff in HUD's regional and field offices to serve as partners and points of contact with stakeholders in our sustainability agenda, listening to local ideas and delivering HUD's solutions in real time. Staff playing these roles will be current HUD employees who are trained in additional skills and work with their colleagues from DOT, EPA and other agencies in our communities.

The office has already made significant progress advancing several new initiatives. First is the Sustainable Communities Initiative, which will provide a total of \$150 million to a wide variety of multi-jurisdictional and multi-sector partnerships and consortia, from Metropolitan Planning Organizations and State governments, to non-profit and philanthropic organizations. These grants will be designed to encourage regions to build their capacity to plan for integration of

economic development, land use, transportation, and water infrastructure investments, and to integrate workforce development with transit-oriented development.

For the first time ever, we will provide federal money to support planning grants that will be selected not only by HUD, but also by DOT and EPA – because when it comes to housing, environmental and transportation policy, it's time the Federal government spoke with one voice.

The first \$100 million in funding is for regional integrated planning initiatives through a Sustainable Communities Planning Grant Program. The goal of the Program is to support multi-jurisdictional regional planning efforts that integrate housing, economic development, and transportation decision-making in a manner that empowers jurisdictions to consider the interdependent challenges of economic growth, social equity and environmental impact simultaneously. And we are committed to encouraging these regions to meaningfully engage residents and other local stakeholders to build long-lasting alliances.

HUD recognizes that while the core principles of the program are not new, the federal government has never attempted to directly support local leaders in articulating and realizing them. In recognition that we have much to learn in our program from leaders on the ground, we have issued an Advanced Notice and Request for Comment for the program. We are inviting feedback through a new online “Wiki” accessible via HUD’s website (www.hud.gov/sustainability) and through an extensive listening tour around the country in which I am greatly enjoying participating.

We know that this seemingly “small” amount of funding can help accomplish a great deal and we will be working hard and listening closely to ensure it's useful for rural and smaller communities, as well as larger ones, and for places that are just starting to think about more sustainable growth and development, as well as those that are more advanced. Congress has also directed us to share our plans for the entire Sustainable Communities Initiative and we look forward to doing so with the Subcommittee by the end of the month.

Another area where the Office of Sustainable Housing and Communities is focused is scaling up energy efficiency in affordable housing. Our FY 2010 appropriation includes \$50 million for an Energy Innovation Fund. Pursuant to Congress’ direction, we are using half the funding to expand the market for energy efficient mortgages and half the funding to explore innovations in

more energy efficient multifamily housing. In both cases, our aim is to use these limited federal funds to pilot approaches that HUD's Federal Housing Administration (FHA) and private sector financial institutions will take to greater scale in the market.

Under the leadership of the Office of Sustainable Homes and Communities, HUD has also launched a transformative program to develop uniform investment policies, performance goals, and reporting and tracking systems to support national objectives for energy efficiency. HUD is working together with DOE to support the achievement of the President's goal of weatherizing one million homes per year by enabling the cost effective energy retrofits of a total of 1.2 million homes in FY 2010 and FY 2011. As part of this initiative HUD intends to complete cost effective energy retrofits of an estimated 126,000 HUD-assisted and public housing units during this time.

And as we are developing new approaches to the Energy Efficient Mortgage, we are also exploring the potential for Location Efficient Mortgages (LEM's). LEM's take into account the lower costs of transportation in transit rich, walkable communities. This is part of a larger effort that HUD is undertaking to "redefine affordability," i.e. looking at housing affordability through the lens of the combined costs of housing (including utility costs) and transportation, rather than looking at them separately. This work, while early in the research and development stage, holds significant promise.

Finally, with \$10 million of this office's budget, we are developing an Affordability Index to lower the barriers to consumers who want to buy homes in more sustainable places by accounting for that housing's proximity to jobs and schools.

As you know from Secretary Donovan's testimony, we are requesting \$150 for the second year of the Sustainable Communities Initiative. Working closely with this Subcommittee and the housing authorizers, we would use these funds for the following:

- A second round of Sustainable Communities Planning Grants administered by HUD in collaboration with the Department of Transportation (DOT) and the Environmental Protection Agency (EPA). As described above, these grants will catalyze the next generation of integrated metropolitan transportation, housing, land use and energy planning using the most sophisticated data, analytics and geographic information

systems. Better coordination of transportation, infrastructure and housing investments will result in more sustainable development patterns, more affordable communities, reduced greenhouse gas emissions, and more transit-accessible housing choices for residents and firms.

- Additional investment in Sustainable Communities Challenge Grants, also as described above, to help localities implement Sustainable Communities Plans they will develop. These investments would provide a local complement to the regional planning initiative, enabling local and multi-jurisdictional partnerships to put in place the policies, codes, tools and critical capital investments needed to achieve sustainable development patterns.
- The creation and implementation of a capacity-building program and tools clearinghouse, complementing DOT and EPA activities, designed to support both Sustainable Communities grantees and other communities interested in becoming more sustainable.
- A joint HUD-DOT-EPA research effort designed to advance transportation and housing linkages at every level our agencies work on.

Conclusion

Our testimony today has focused largely on the work and agenda of HUD's Office of Sustainable Homes and Communities. We want to again express our deep appreciation for the Subcommittee's support for this bold, and necessary, new initiative. As Secretary Donovan and I say, our ultimate goal is to harness the entire HUD budget as a force for creating greener homes and communities everywhere in America. We look forward to working with the Subcommittee to advance that goal.

Appendix A

HUD-DOT-EPA Interagency Partnership for Sustainable Communities

Livability Principles

June 16, 2009

Provide more transportation choices. Develop safe, reliable, and economical transportation choices to decrease household transportation costs, reduce our nation's dependence on foreign oil, improve air quality, reduce greenhouse gas emissions, and promote public health.

Promote equitable, affordable housing. Expand location- and energy-efficient housing choices for people of all ages, incomes, races, and ethnicities to increase mobility and lower the combined cost of housing and transportation.

Enhance economic competitiveness. Improve economic competitiveness through reliable and timely access to employment centers, educational opportunities, services and other basic needs by workers, as well as expanded business access to markets.

Support existing communities. Target federal funding toward existing communities—through strategies like transit oriented, mixed-use development, and land recycling—to increase community revitalization and the efficiency of public works investments and safeguard rural landscapes.

Coordinate and leverage federal policies and investment. Align federal policies and funding to remove barriers to collaboration, leverage funding, and increase the accountability and effectiveness of all levels of government to plan for future growth, including making smart energy choices such as locally generated renewable energy

Value communities and neighborhoods. Enhance the unique characteristics of all communities by investing in healthy, safe, and walkable neighborhoods—rural, urban, or suburban.